



Department of Defense
Office of the Under Secretary of Defense (Comptroller)

DoD-Wide Financial Management Transformation

Presented by:

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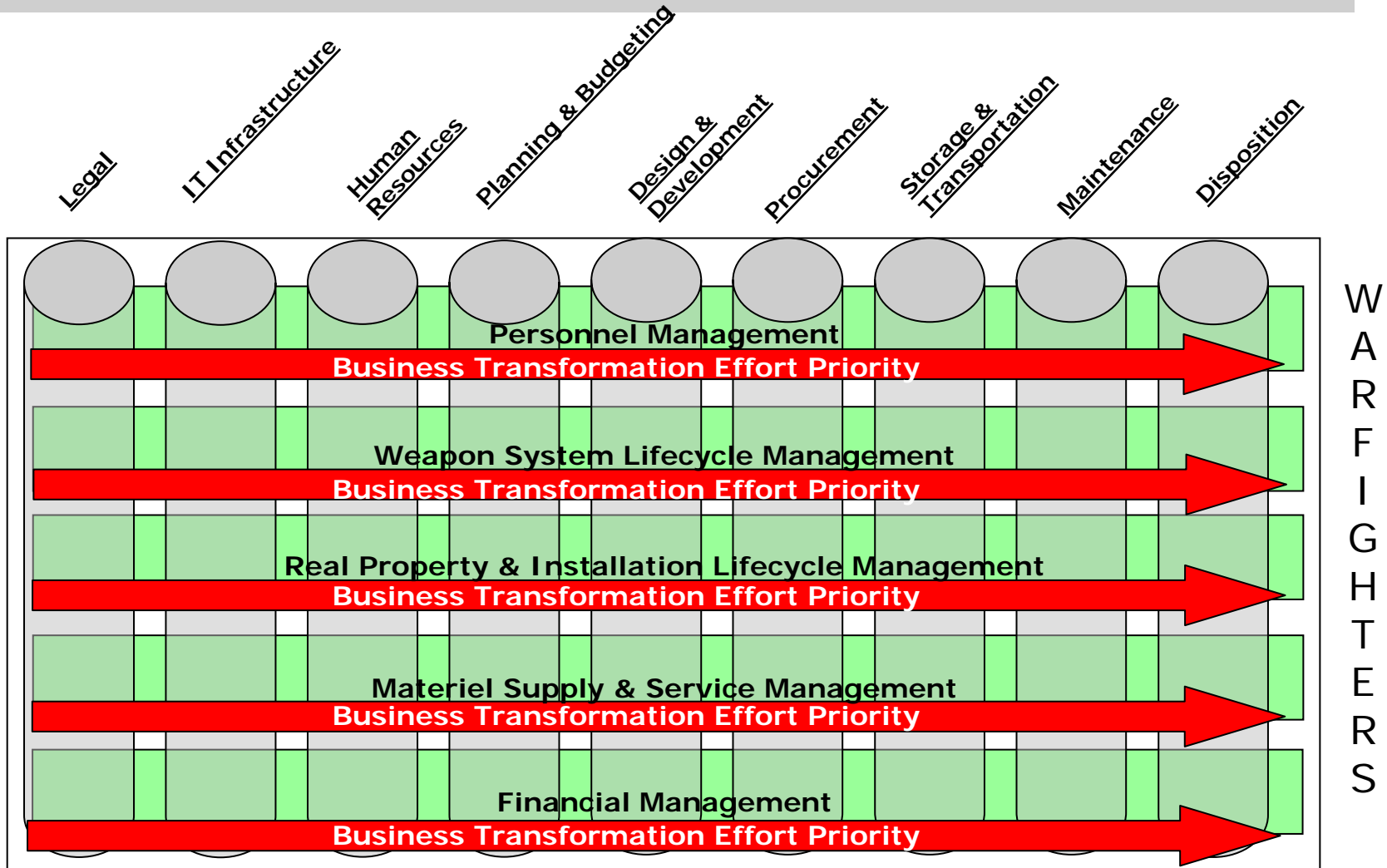
Agenda

- DoD Business Transformation
- Financial Management Transformation
- Enterprise Financial Management Focuses

Challenges to DoD Business Transformation

- The Department of Defense business areas are actively addressing the following major challenges:
 - Need for clear and sustained leadership for overall business transformation efforts
 - Requirement to effect cultural change
 - Need for meaningful metrics and ongoing monitoring
 - Development of incentives and accountability mechanisms

Business Mission Area (BMA) Transformation Framework



Managing the Business of DoD

“The Department of Defense will be managed in an efficient, business-like manner in which accurate, reliable, and timely financial information, affirmed by clean audit opinions, is available on a routine basis to support informed decision-making at all levels throughout the Department.”

***– Secretary of Defense
Donald Rumsfeld***

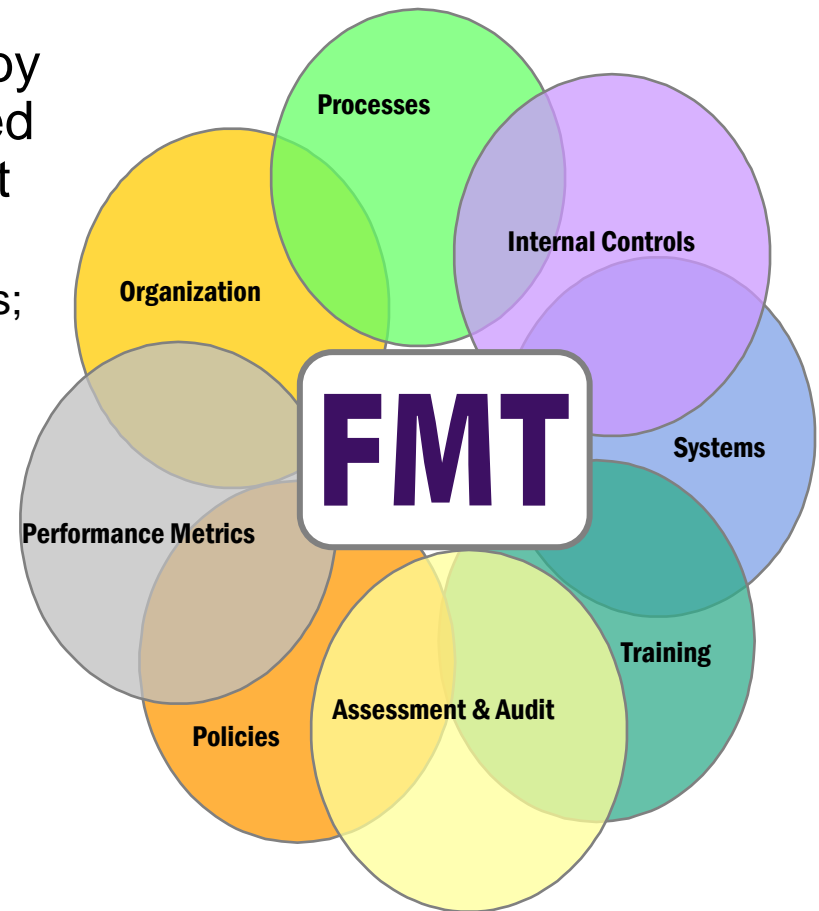
- To achieve this, the organization must:
 - Have the ability to provide timely, accurate, and useful financial and performance information
 - Not have material internal control weaknesses or material noncompliance with laws and regulations
 - Meet the requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA)

Current Actions in the Financial Management Community

- Develop a comprehensive, integrated, “living” transformation plan for obtaining a financial audit opinion on the consolidated financial statements
- Establish partnering agreements with all other Business Mission Areas (BMAs) to develop initiatives that support transformation
- Identify the necessary processes and related systems that will determine re-engineering and system transitions
- Define meaningful accountability tools to support results-oriented performance measures
- Ensure that the workforce has the necessary skills, experience, and authority to execute transformation.

What is Financial Management Transformation (FMT)?

- A Department vision of integrated financial management, supported by our community, and an orchestrated strategy and plan for achieving that vision:
 - Near-term focus primarily on processes; long-term emphasis on systems
 - Coordination between organizations, roles, and functions
 - Process for identifying and evaluating current and new efforts
 - Synchronized timeframes and inter-dependencies
 - Approach to communicate DoD-wide strategy and re-train workforce

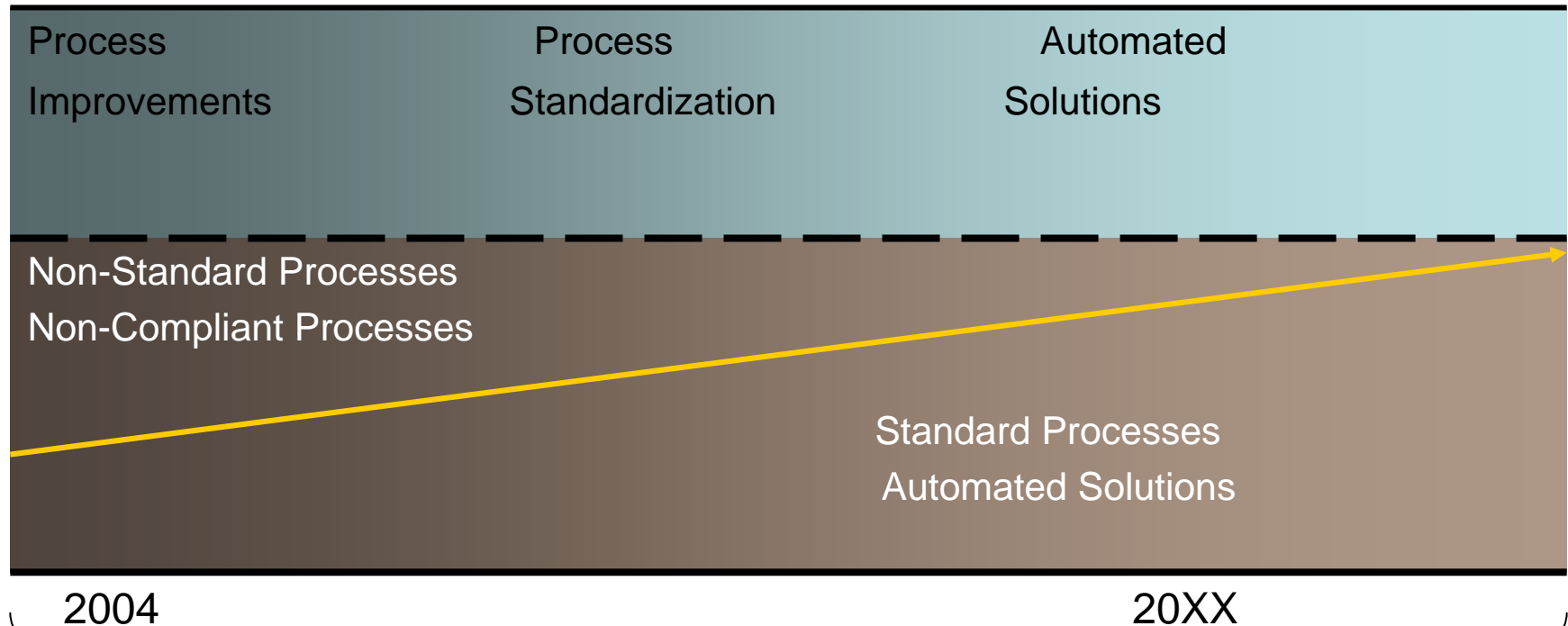


Why Develop the FMT?

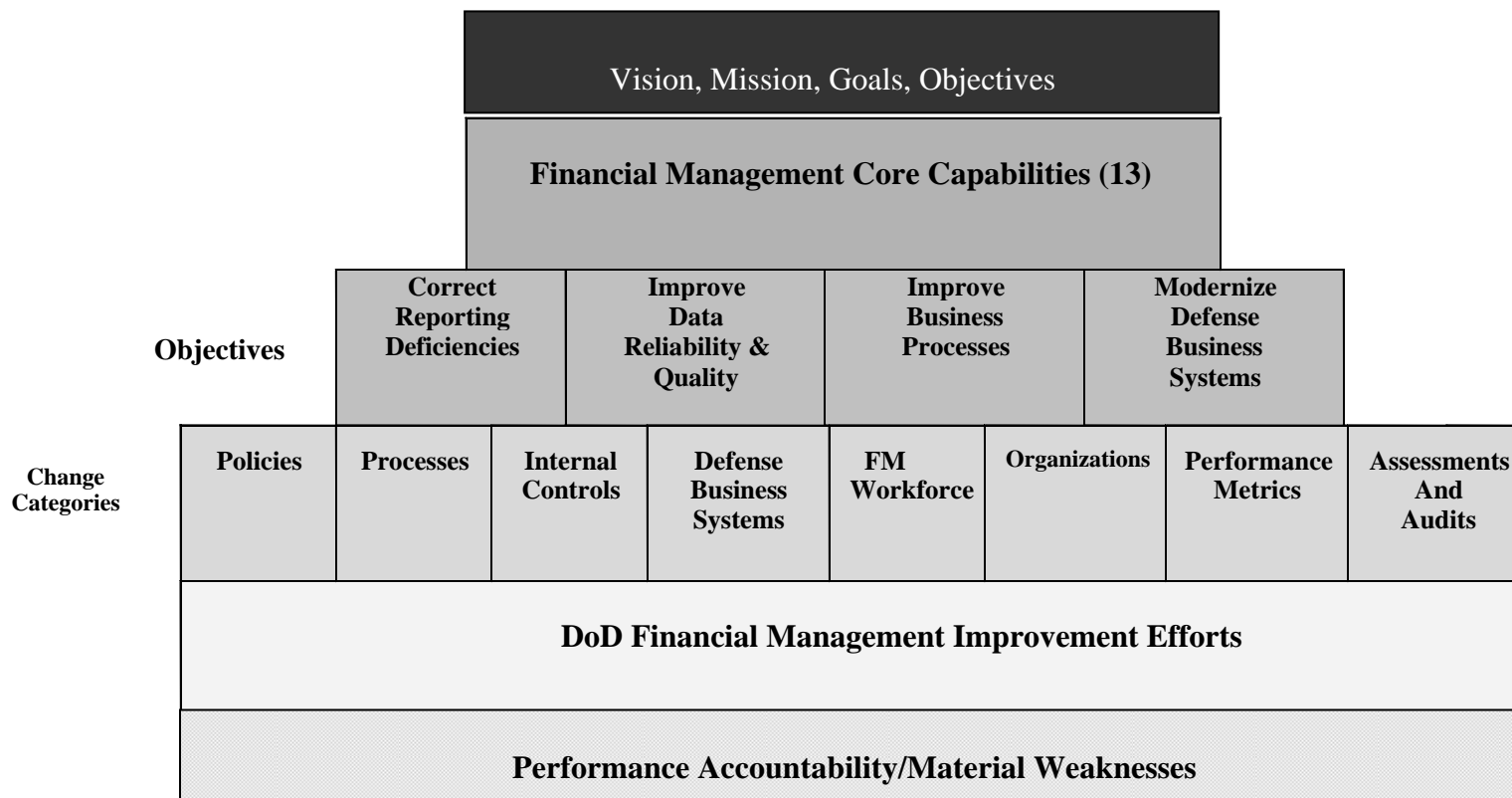
- Because the Department needs comprehensive, integrated DoD-wide financial improvement in order to:
 - Identify additional deficiencies, corrective actions, accountable organizations and personnel, milestones, and required resources
 - Proactively coordinate, align, and integrate Department's numerous near-term improvement plans and longer-term transformation plans
 - Provide OUSD(C) and Components real-time ability to track progress toward improvement
 - Provide cross-Component visibility of corrective actions, yielding more standard solutions and less redundancy
 - Link deficiencies/corrective actions to Business Enterprise Architecture/Enterprise Business Process Model (EBPM) to capitalize on reengineered business processes

Transformation Strategy

“90% of the benefits realized occur outside of IT and are rarely the result of new software purchases.” (AMR Research)



Transformation Framework and Approach



Snapshot of Target Areas

Financial Statement Improvement Efforts

FY 2005 Focus

- ***Real Property***
- ***Healthcare Data***
- ***Environmental Liabilities***
- ***Military Equipment***
- ***Marine Corps Audit***

Ongoing Focus

- Inventory & OM&S
- Fund Balance With Treasury

Financial Management Mission Area

FY 2005 Focus

- ***Standard Financial Information Structure (SFIS)***
- ***US Standard General Ledger***
- ***Budget Execution, Funds Distribution, and Performance***
- ***Defense Financial Management Business Systems***

Business Management Modernization Program

FY 2005 Focus

- Validate and communicate objectives
- Strengthen governance
- Streamline acquisition process
- Streamline OSD certification process
- Sponsor business intelligence
- Accelerate systems smartly
- Develop standard data structures

Standard Financial Information Structure (SFIS)

- **What?**
 - Each Component within DoD has its own business acronyms, names of data elements, and process methodologies for conducting day-to-day operations
 - Prohibitive environment for integration of activities and services to support the mission
- **Why?**
 - Consistency of terminology, data elements, and business processes
 - SFIS will allow people and systems to “talk” to each other
- **Benefits of effort:**
 - Develop a common DoD business terminology, language, and data information to be used across all business lines
 - Data integrity and improved budget execution and funds distribution

US Standard General Ledger (USSGL)

- **What?**
 - US Treasury provided generalized guidance to the Federal Government for posting financial transactions to the accounting records
 - DoD Components have developed specific (disparate) application usages of the general ledgers based on business area
- **Why?**
 - To provide standard guidance, logic, and rules for the consistent use of general ledger transaction postings
- **Benefits of effort:**
 - Balanced reporting outcomes
 - Standardized, consistent, and supportable double-entry transaction postings

Budget Execution, Funds Distribution, and Performance

- **What?**

- Budget execution and funds distribution reporting not in compliance with the Government Performance Results Act (GPRA)
- Financial processes and systems do not collect costs in line with performance measures

- **Why?**

- Identify and document current processes for budget execution and funds distribution that are common and required for DoD
- Develop business rules and requirements to improve funds distribution and budget execution

- **Benefits of effort:**

- Reduction in the number of transactions
- Visibility and measurement of results by linking financial planning, execution, and performance through integrated data strategies
- Ability to streamline, standardize, and integrate budget execution and funds distribution DoD-wide

Defense FM Business Systems

- High visibility/key Defense FM Business Systems being closely tracked and monitored:
 - Army – General Funds Enterprise Business System (GFEBS)-- GF accounting and installation management system
 - Army – Logistics Modernization Program (LMP)--Logistics Supply Chain management and Working Capital Fund (WCF) accounting system
 - Navy – ERP – Logistics Supply Chain and GF and WCF accounting system
 - Air Force/USTRANSCOM – Defense Enterprise Accounting Management System (DEAMS)--GF and WCF accounting system

For those we serve...



For more information on FMT please
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